

**Department of the Navy
FY 1998/1999 Biennial Budget**

Unchanged Priorities

Near-Term Readiness

Protect Personnel, Operations, and Readiness

Long-Term Readiness

**Preserve Recapitalization Strategy
Pursue Increased Efficiencies**

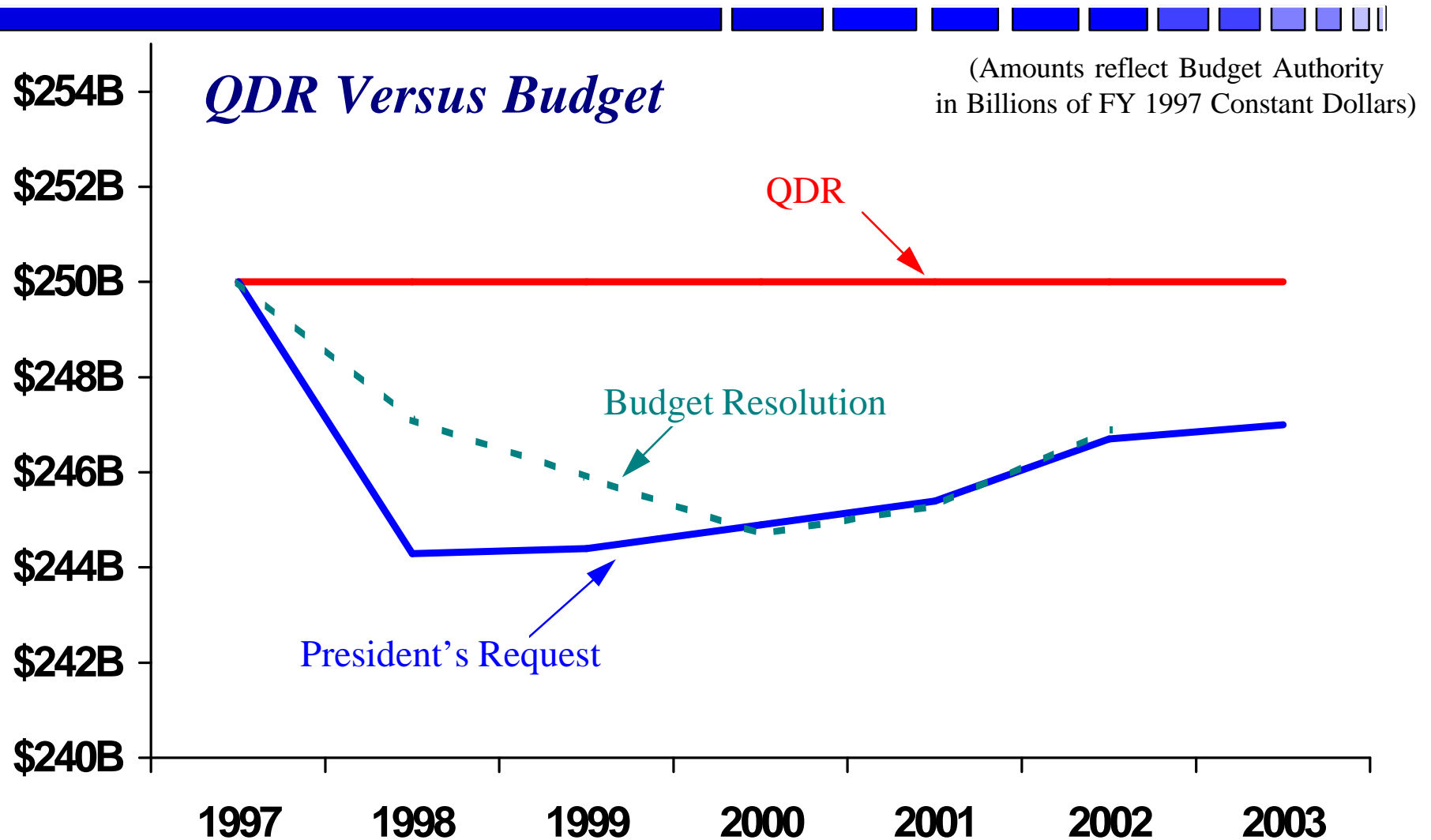
“Forward ...From the Sea”

Budget Realities...Many Factors Drive Instability...



- ◆ Services' desire for program additions, enhancements
- ◆ Defense topline erosion in Congressional Review process
- ◆ Congressional proclivity for pro rata balancing
- ◆ Domestic program compromises at expense of Defense
- ◆ Congressional reluctance to finance Administration's contingency commitments
- ◆ Outlay constraints influencing Congressional action
- ◆ Emergent O&S shortfalls

DOD Resource Profile

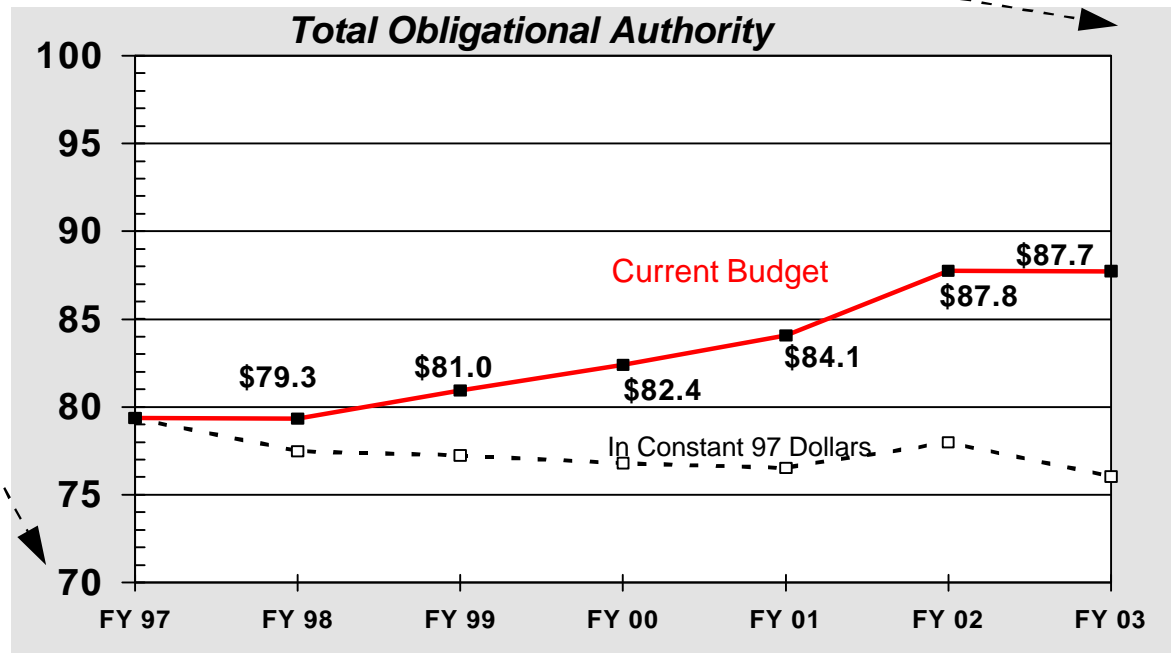
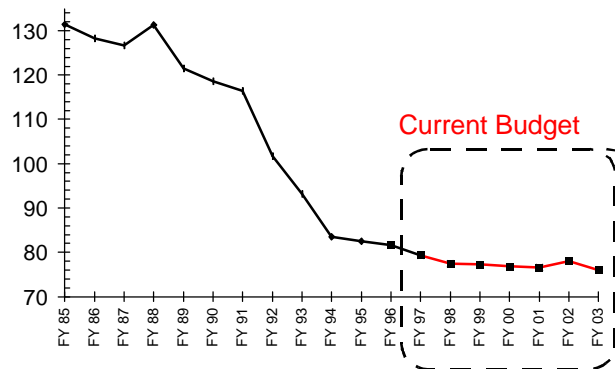


For purposes of fiscal planning, the QDR projected stable annual defense budgets of roughly \$250 billion in constant FY 1997 dollars. Absent a marked deterioration in world events, the nation is unlikely to support significantly more resources for national defense. Indeed, we may yet face pressures to lower DOD's share of federal expenditures.

DON Topline FY 1997 - FY 2003



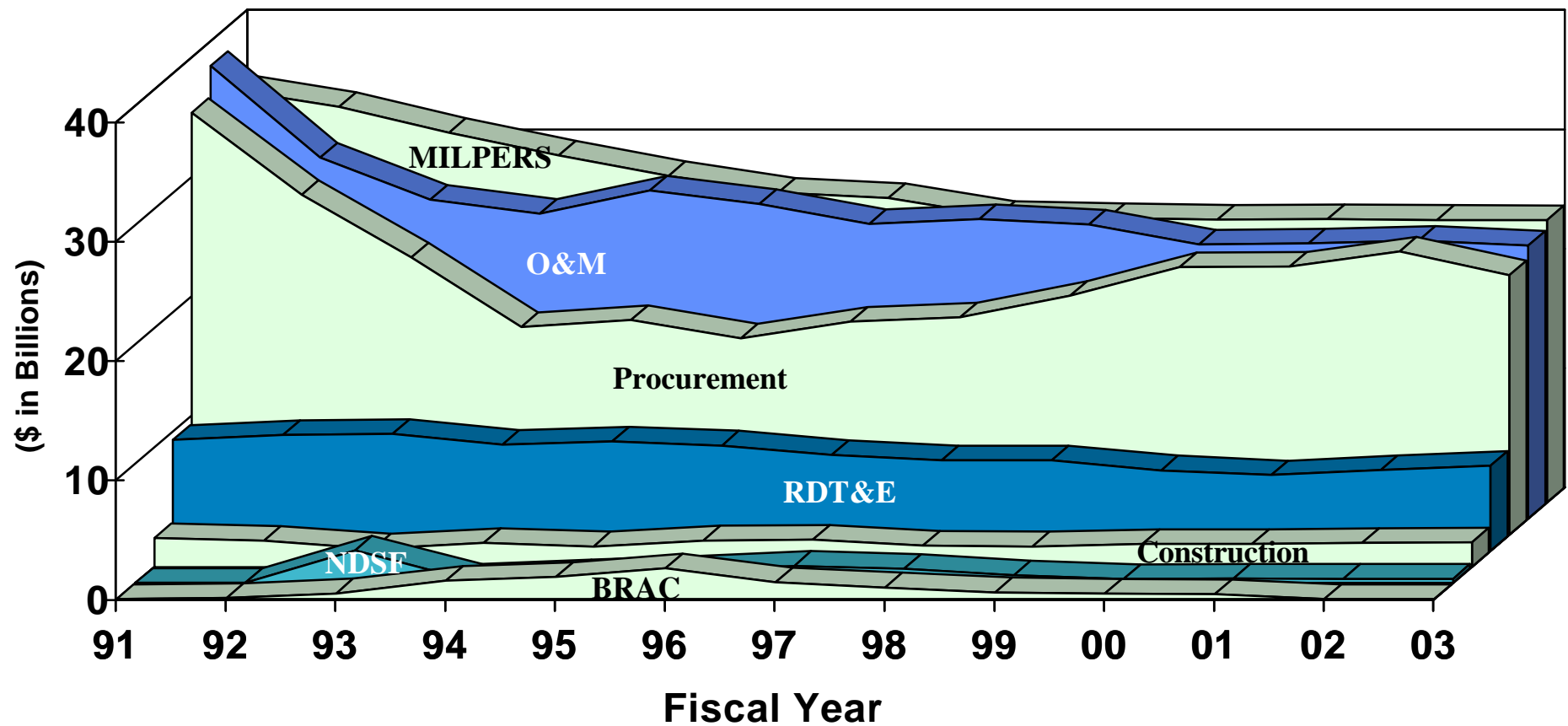
(\$ in Billions)



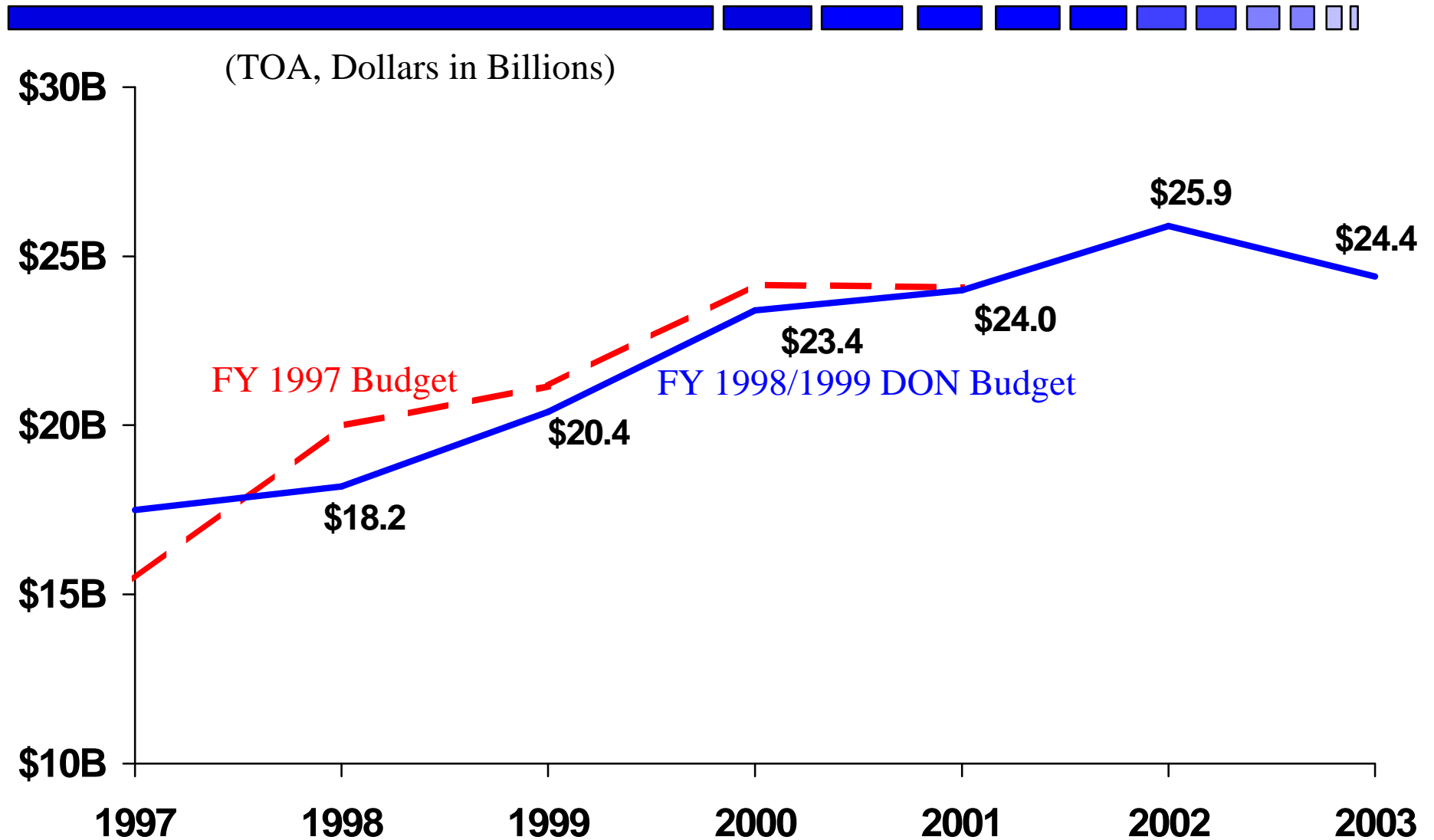
DON Trendlines FY 1991 - FY 2003



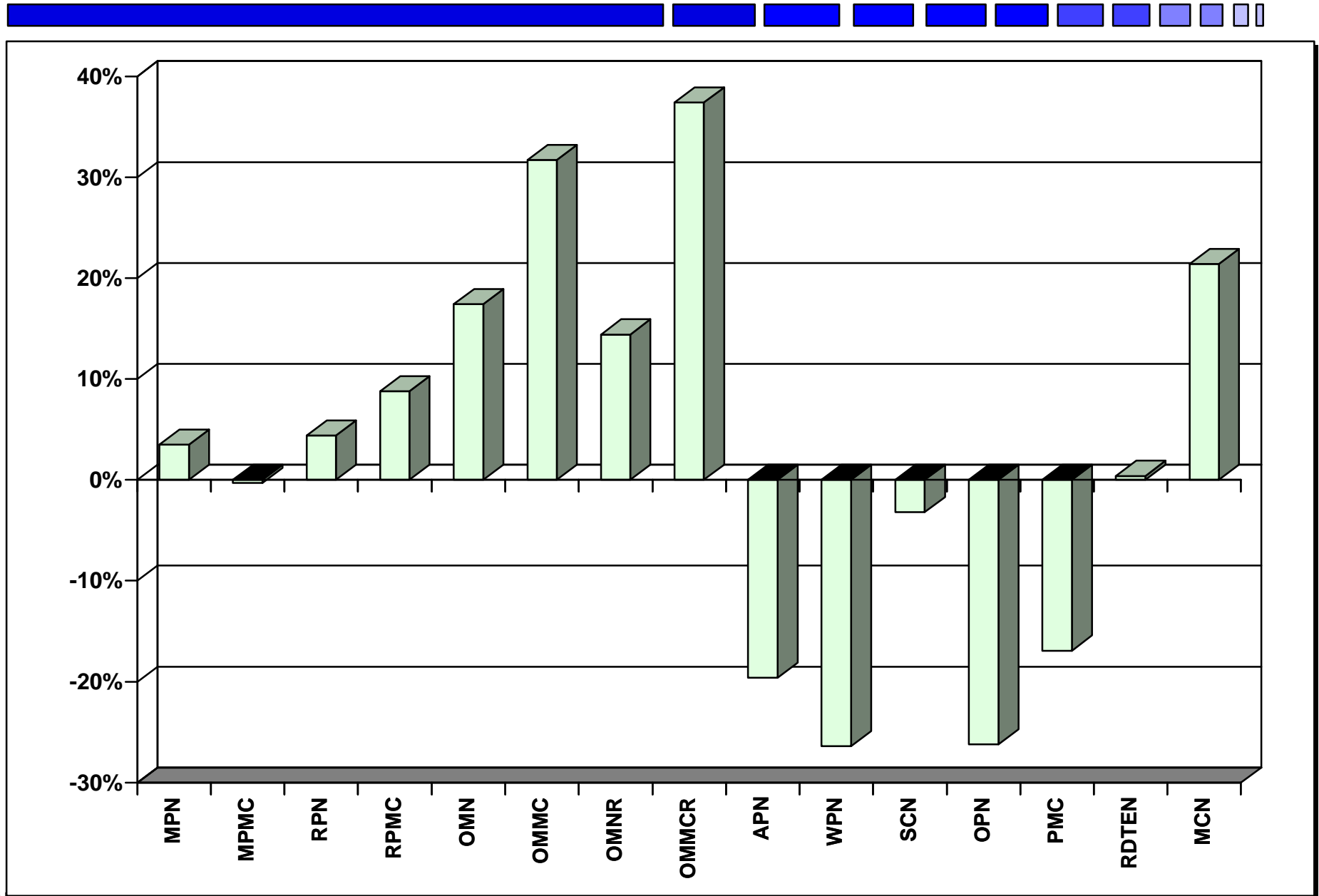
(In Constant FY 98 Dollars)



DON Modernization Budget Profile



FY 96 Column Total Percentage Change: PB95-PB98



FY 1997 Congressional Action -- Net



(Dollars in Billions)

FY 1997 DOD Budget	\$243.8
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Department of the Navy	+4.4
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Department of the Army	+2.8
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Department of the Air Force	+.3
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Overseas Contingency Operations Transfer	+1.1
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Ballistic Missile Defense	+.8
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Defense Health Program	+.6
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Other Defense Accounts	+.2
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Total	+\$10.2
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FY 1997 Appropriated	\$254.0
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FY 1997 Congressional Action -- Detail



(Dollars in Millions)

		↓	↓	↓
DON Budget	\$75,645	<u>Gains</u>	<u>Losses</u>	<u>Taxes</u>
Congressional Action:				
MILPERS	+57	+97	-17	-23
Operations	+596	+1,149	-428	-125
Procurement	+2,429	+3,206	-395	-382
R&D	+520	+1,056	-61	-475
National Defense Sealift Fund	+464	+555	-90	-1
Military Construction/Housing	<u>+305</u>	<u>+305</u>	<u>0</u>	<u>0</u>
Total	+4,371	+6,368	-991	-1,007

FY 1997 Congressional Add Impacts



(Dollars in Millions)

DDG-51

Issue: Congress authorized additional DDG for FY 98 but appropriated less funding than anticipated by Department (only \$250 million)

Impact: \$575 million realigned by DON from other programs

V-22

Issue: Congress authorized \$70 million increase for advance procurement to support 7 additional FY 98 aircraft

Impact: FY 98 production acceleration unaffordable at \$700+ million; AP plus-up proposed for reprogramming to support R&D program

Submarine Technology

Issue: Navy agreed to execute \$60 million plus-up for Advanced SSN R&D efforts

Impact: FY 98-00 funds realigned out-of-hide to support sustained \$60 million annual level

FY 1997 DOD Contingency Operations



(Dollars in Millions)

	<u>Unfinanced Requirement</u>	<u>House</u>	<u>Senate</u>
Navy	194	194	174
USMC	1	31	31
Army	819	811	806
Air Force	738	724	678
Defense-wide	<u>303</u>	<u>303</u>	<u>138</u>
Total	\$2,055	\$2,063	\$1,829

- ◆ Requirements unchanged from last update
- ◆ House and Senate completed
- ◆ Conference week of 19 May
- ◆ House and Senate versions automatic CR at 100%; potential veto issue

Contingency Financing Scenarios

(Dollars in Millions)

Alt 1: Full Rescission Proposal	-\$4,800
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Alt 2: Contingency Offset Requirement	-\$2,055
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DON Share

Original Navy Share per PBD	\$800
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Navy Share based on Acquisition as billpayer	750
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Navy Share @ 1/3 of total	685
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Revised Share USD(C) Staff “Painless” Sources	600
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DON Share - House Bill	450
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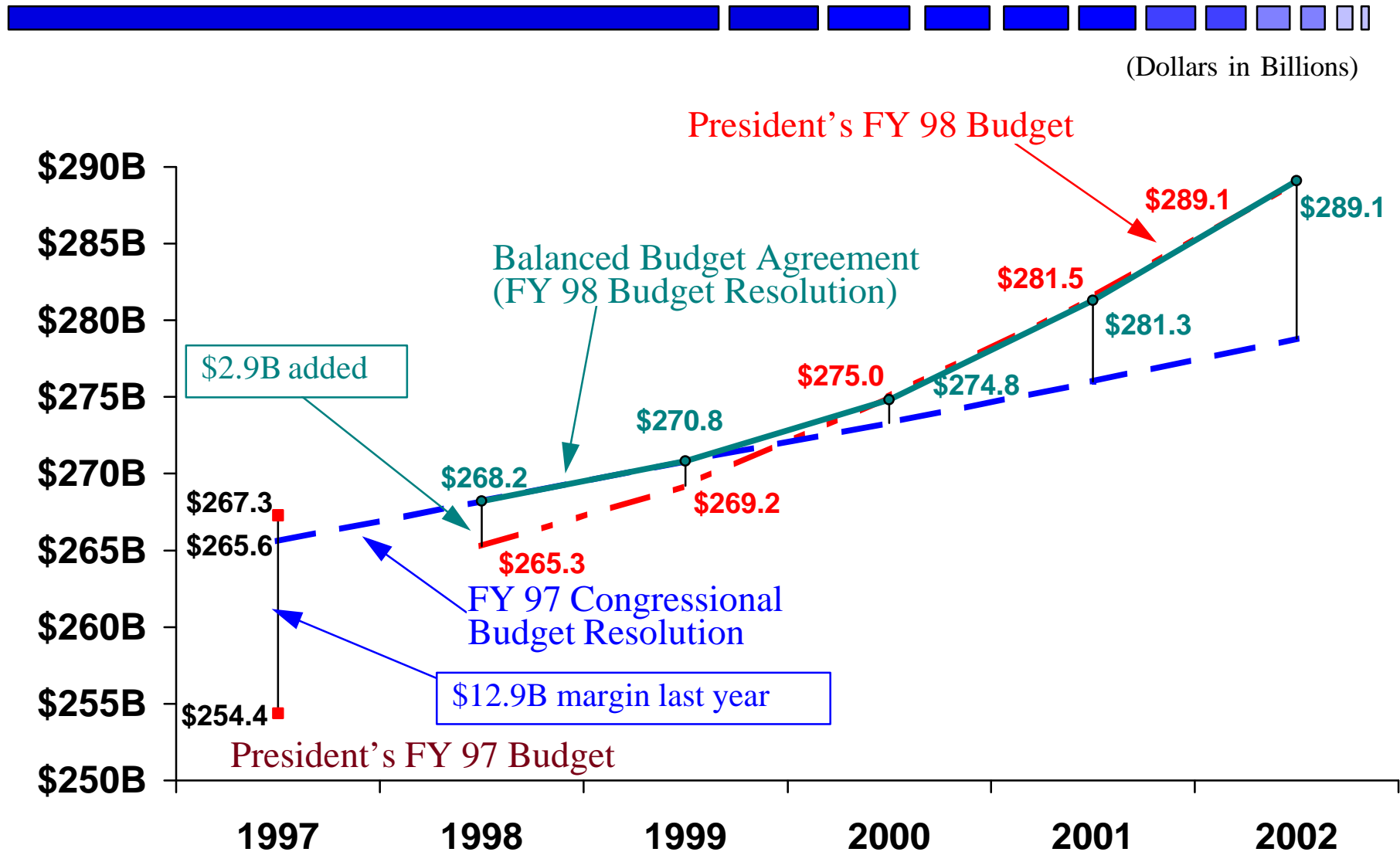
DON Share - Senate Bill	425
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Contingency Financing...current Congressional Action



	<u>House</u>	<u>Senate</u>
Currently identified DON sources:		
Foreign Currency Exchange Rates	31	57
97 Inflation Savings	109	113
96 BRAC Inflation Savings	86	86
96 MilCon/Housing Inflation Savings	1	1
Marine Corps Hurricane Offsets	29	29
Expiring Unobligated Balances	81	89
Rescissions	<u>113</u>	<u>50</u>
Total	\$450	\$425

Defense (050) Budget Authority

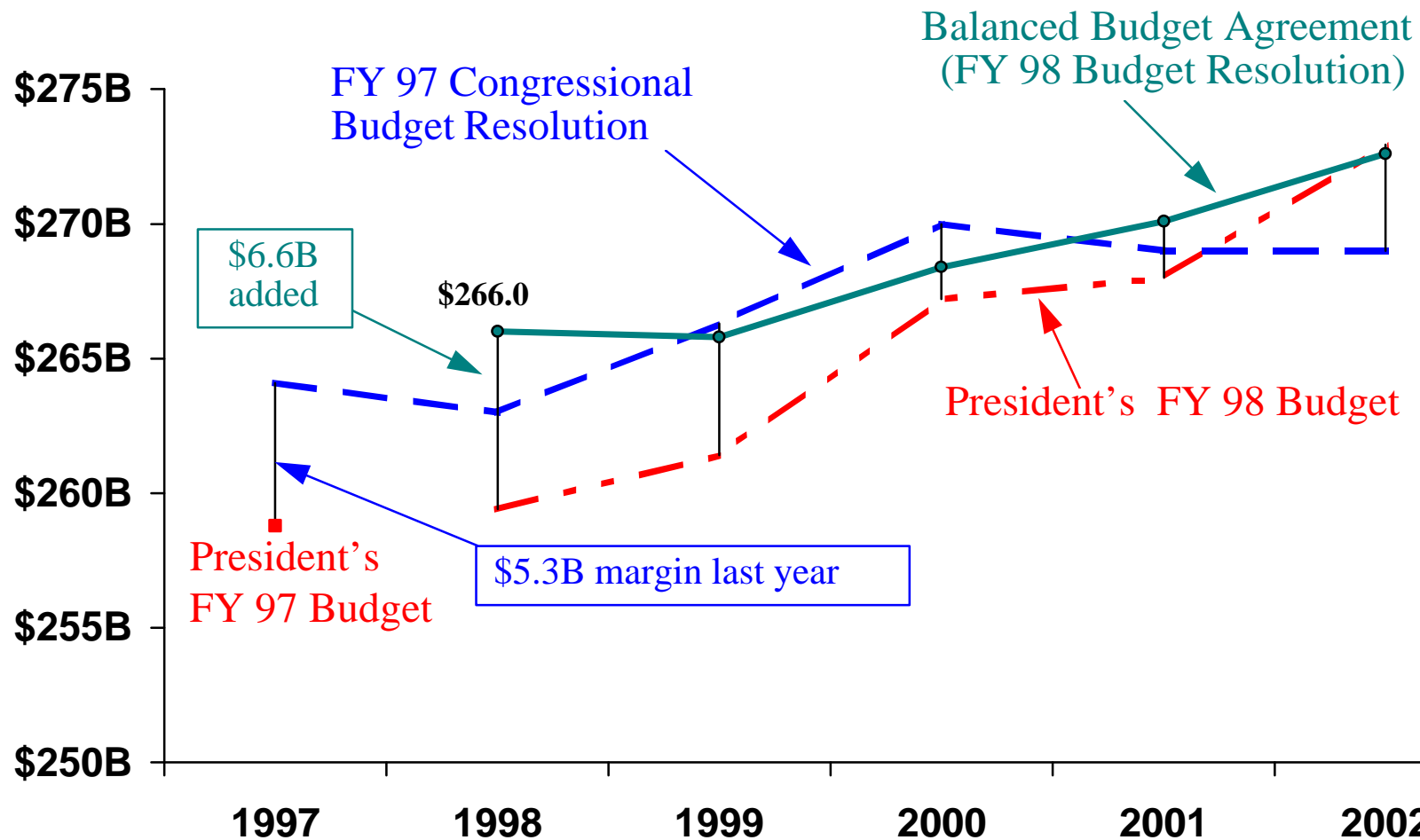


Balanced budget agreement FY 98/99 numbers are same as FY 97 Budget Resolution projection; Budget Resolution assumes statutory increase in discretionary budget ceilings to accommodate increase in budget authority and outlays for Defense and non-Defense appropriations

Defense (050) Outlays



(Dollars in Billions)



FY 98 Budget Resolution outlays are \$1B above CBO's estimate of FY 98 President's Budget;
Budget Resolution assumes statutory increase in discretionary budget ceilings to accommodate increase
in budget authority and outlays for Defense and non-Defense appropriations

Competition for FY 1998 Increases



(Dollars in Millions)

CNO's Priorities List	\$3,182
Navy Manpower/QOL List	\$576
Commandant's List	\$1,819
Naval Reserve List	\$1,056
Marine Reserve List	\$184
Army List	\$2,979
Air Force List	\$2,200
Medical Shortfall	~\$600
Contingency Operations	?
SECDEF List	?

Amount Available	~ \$2,900
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DON's Commitment



- ◆ *Preserve Readiness*
- ◆ *Modernization through Efficiencies*



◆ For additional information visit our web site:

■ navweb.secnav.navy.mil/nhbs

■ <http://navweb.secnav.navy.mil/budget>